

**SPRINGVILLE CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2005**

SPRINGVILLE CITY

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SPRINGVILLE CITY

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INDEPENDENT AUDITOR'S REPORT

September 28, 2005

**Honorable Mayor
Members of the City Council
Springville City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements, of Springville City, Utah (City) as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City at June 30, 2005, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 28, 2005 on my consideration of Springville City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Springville City's basic financial statements. The combining nonmajor fund statements described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Greg Ogden,
Certified Public Accountant



MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Springville City, we offer readers of Springville City's financial statements this narrative overview and analysis of the financial activities of Springville City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net assets of Springville City increased \$8,492,727 or 10.8% to \$87,114,708. The governmental net assets increased by \$4,401,805 and the business-type net assets increased by \$4,090,922.
- The total net assets of \$87,114,708 are made up of \$69,454,986 in capital assets net of related debt and \$17,659,722 in other net assets.
- Total long-term liabilities of the City decreased by \$1,261,823. Decreases of \$3,688,322 from payments made on existing long term debt were partially offset by new debt in the form of interim warrants to fund the construction of Special Improvement District No. 29.
- The General Fund (the primary operating fund) had its fund equity decrease by \$1,318,377 to \$3,218,657. The decrease was primarily caused by a large transfer to the Capital Projects Fund reserves which saw an increase in its fund equity of \$1,921,912.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Springville City's basic financial statements. Springville City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Springville City's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Springville City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Springville City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's

revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Springville City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on Pages 13-15 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Springville City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The balance of the governmental funds is determined to be non-major and is included in the combining statements within this report.

- **Proprietary funds** - Springville City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Springville City uses enterprise funds to account for its Electric Utility, Water Utility, Sewer Utility, Solid Waste Collection, and Golf Course and Restaurant. Internal service funds are an accounting device used to accumulate and allocate costs internally among Springville City's various functions. The City uses an internal service fund for maintenance of its vehicles and equipment. Because this service primarily benefits governmental activities, it has been included with governmental activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Electric, Water and Sewer enterprise funds meet the criteria for major fund classification. The other enterprise funds are

classified as non-major and are included in the combining statements within this report.

- **Fiduciary funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Springville City, assets exceed liabilities by \$87,114,708.

The largest portion of Springville City's net assets (\$69,454,986 or 79.7%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS (In thousands of dollars)

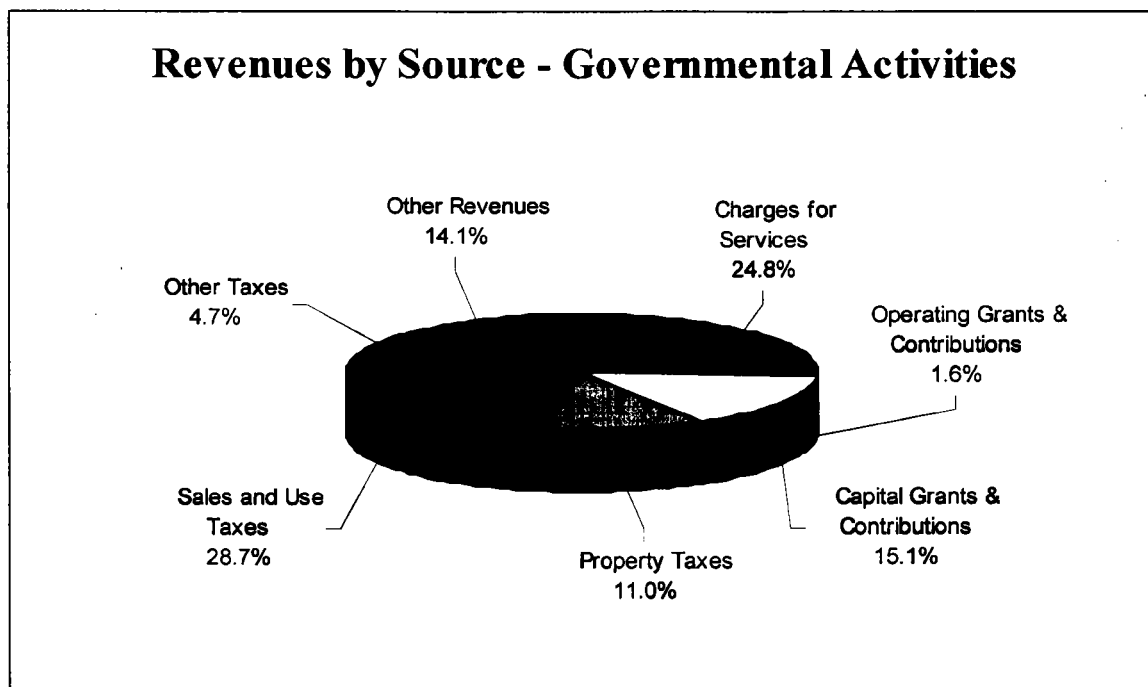
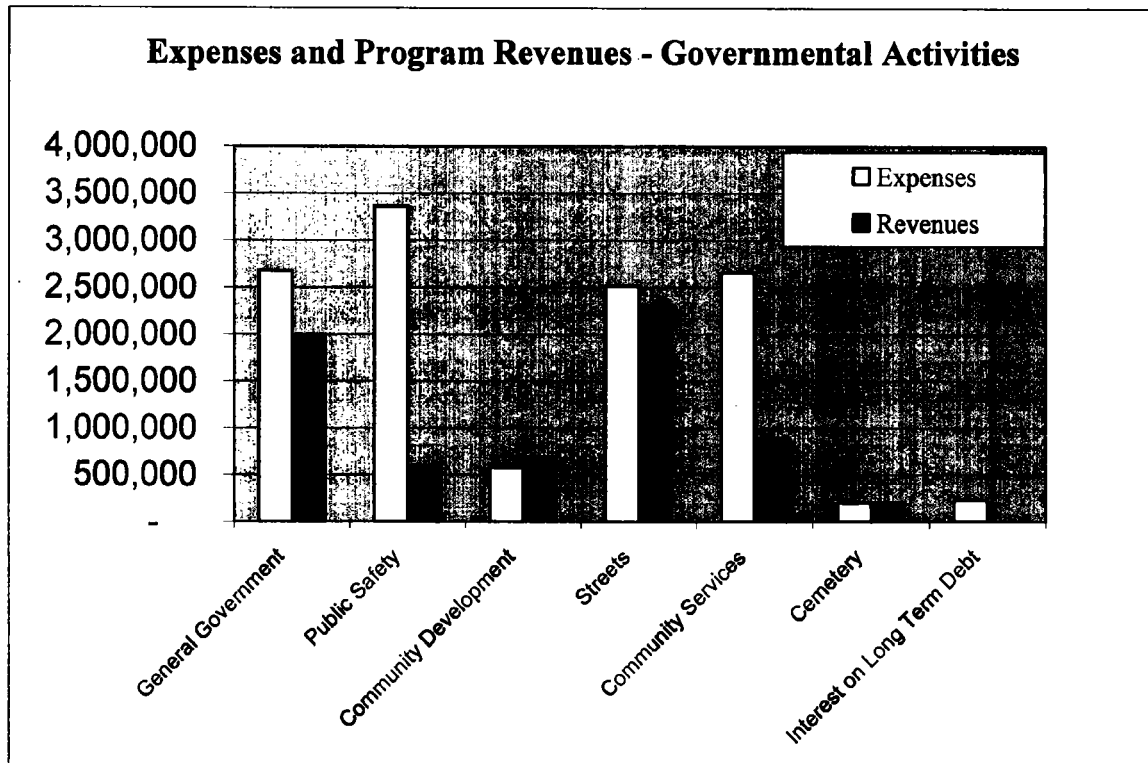
	Governmental Activities		Business-type Activities	
	<u>2004-2005</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2003-2004</u>
Current and Other Assets	12,195	10,973	2,213	781
Capital Assets	40,942	35,965	57,369	56,642
Total Assets	<u>53,137</u>	<u>46,938</u>	<u>59,582</u>	<u>57,423</u>
Long-term Debt Outstanding	7,700	5,816	12,393	15,539
Other Liabilities	2,837	2,924	2,674	1,460
Total Liabilities	<u>10,537</u>	<u>8,740</u>	<u>15,067</u>	<u>16,999</u>
Net Assets:				
Invested in Capital Assets, Net of Debt	30,236	28,689	39,219	35,698
Restricted	1,534	1,185	4,858	4,400
Unrestricted	10,830	8,324	438	326
Total Net Assets	<u>42,600</u>	<u>38,198</u>	<u>44,515</u>	<u>40,424</u>

CHANGES IN NET ASSETS (In thousands of dollars)

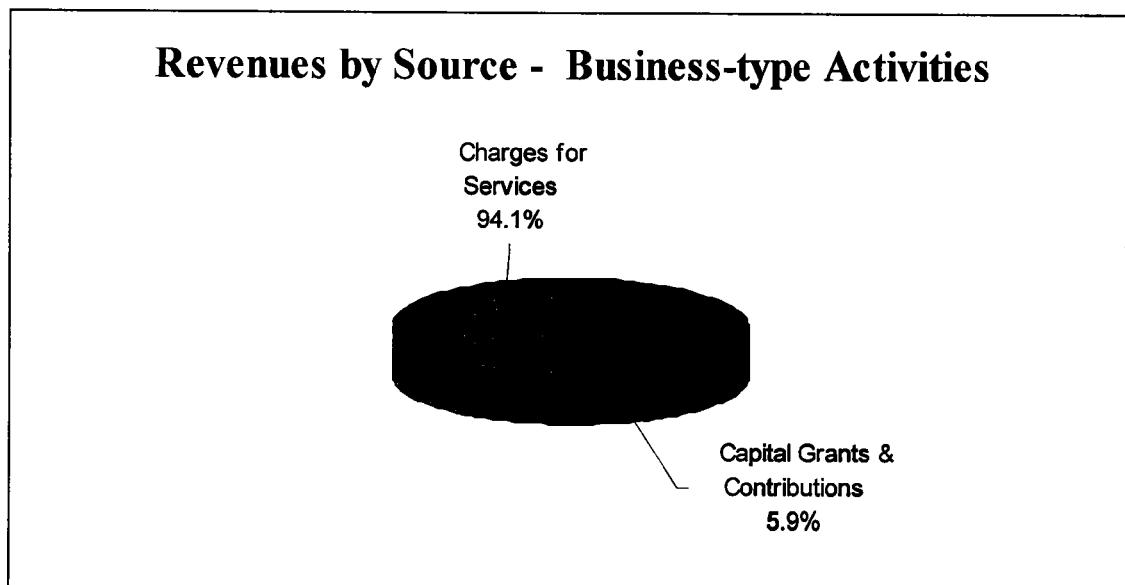
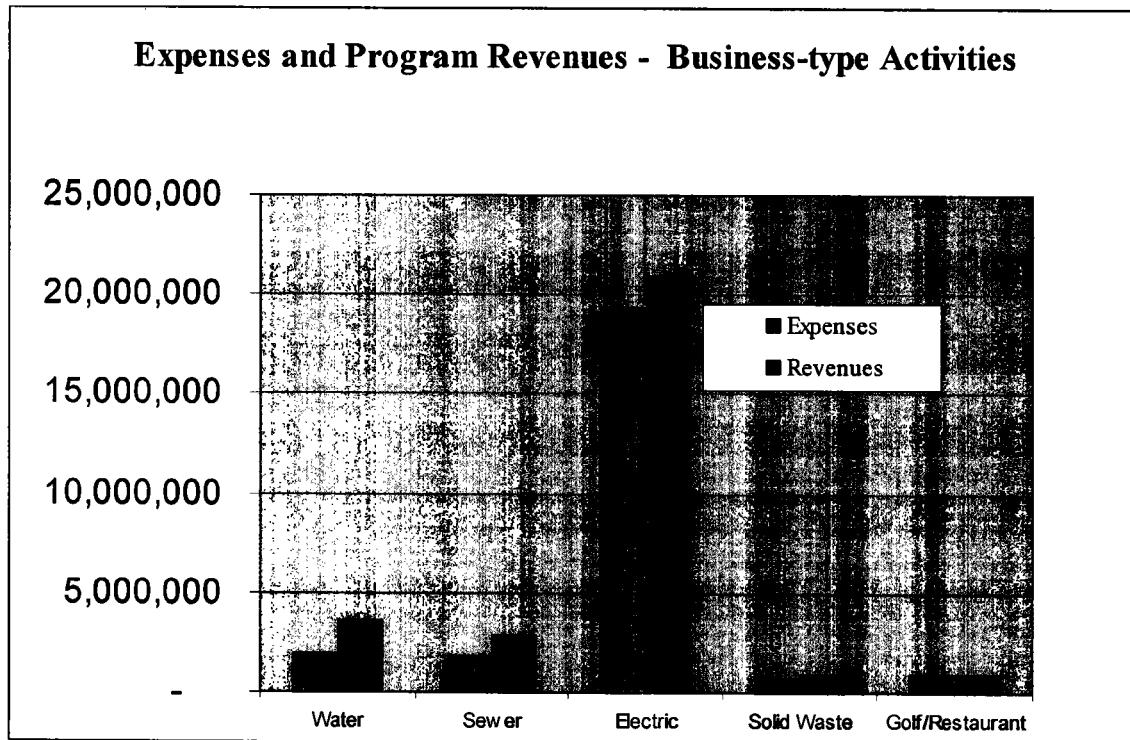
	Governmental Activities		Business-type Activities	
	<u>2004-2005</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2003-2004</u>
Revenues				
Program Revenues:				
Charges for Services	3,975	3,401	27,504	25,919
Operating Grants and Contributions	258	187		
Capital Grants and Contributions	2,412	1,638	1,717	996
General Revenues:				
Property Taxes	1,758	1,633		
Sales and Use Taxes	4,598	4,277		
Change in Joint Venture	1,881	57		
Other Taxes	755	614		
Other Revenues	376	289	62	35
Total Revenues	<u>16,013</u>	<u>12,096</u>	<u>29,283</u>	<u>26,950</u>
Expenses				
General Government	2,676	2,270		
Public Safety	3,357	3,204		
Streets	2,517	2,613		
Community Development	578	523		
Community Services	2,659	2,153		
Cemetery	198	186		
Interest on Long-Term Debt	228	220		
Electric			19,352	18,084
Water			1,910	1,810
Wastewater Collection & Treatment			1,873	1,695
Solid Waste Collections			737	719
Golf Course & Restaurant			883	897
Swimming Pool			-	329
Total Expenses	<u>12,213</u>	<u>11,169</u>	<u>24,755</u>	<u>23,534</u>
Increase in Net Assets Before Transfers	3,800	927	4,528	3,416
Transfers	602	571	(602)	(571)
Change in Net Assets	<u>4,402</u>	<u>1,498</u>	<u>3,926</u>	<u>2,845</u>
Net Assets Beginning	38,198	36,700	40,424	37,579
Prior Period Adjustment			165	
Net Assets Ending	<u>42,600</u>	<u>38,198</u>	<u>44,515</u>	<u>40,424</u>

Increases in General Government expenses included \$102,950 for impact fee studies, \$53,232 for facilities renovations, and \$138,874 in Public Works Administration for a new secretary and the Director's position being staffed for the entire year versus the prior year when it was vacant most of the year. Streets decreased from the prior year due mainly to lower expenditures in road reconstructions and resurfacings. Community Services had a large increase due to the Swimming Pool being captured in the General Fund rather than as a separate Enterprise Fund. Increases in the other areas are primarily due to normal inflation and budgeted increases in personnel and benefits costs.

The graphs shown below display the government-wide activities reflected in the above tables. Program revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and uses taxes, etc. are not included.



As can be seen from the following charts, the majority of revenues in the business-type activities are from charges for services with 94.1% of the revenues coming from this source. The revenues from capital grants and contributions represent the value of infrastructure systems donated to the City via subdivisions being developed. Expenses for each fund only reflect direct operating costs. The expenses for capital projects, bond principal payments and inter-fund transfers are not included.



FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2005, the City's governmental funds (General, Capital Projects, Debt Service, and Special Revenue) reported combined fund equity of \$8,958,359. This represents an increase of \$928,306 over last year's ending balances. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds, either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund. The largest element of taxes is sales and use taxes as it has been for the last several years. They represent approximately two-thirds of total tax revenues which is nearly the same proportion as last year.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$11,282,209 to a final budget of \$11,086,074. The slight drop was due to most departmental budgets having minor reductions in the final budget. The reductions were to help assure the City would not have unreserved funds in excess of the maximum allowed under Utah State Code.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Springville City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$89,062,824 (net of accumulated depreciation). This investment in capital assets includes land, water shares, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The City's investment in capital assets minus depreciation for the current year increased by \$4,123,787. Governmental activities' capital assets increased by \$3,556,523 while the business-type activities' capital assets increased by \$567,264.

Major capital asset events during the current fiscal year included the following:

- Replacement of police vehicles, \$120,512
- Upgrade police dispatch software system, \$112,630

- Maintain and rebuild streets in the City, \$152,908
- Install safety sidewalks on 400 West, \$151,672
- Purchase land and equipment for new Freedom Park, \$103,403
- Purchase and install new software for library circulation, \$81,490
- Develop Canyon Road Well, \$335,531
- Install new water line on North Main Street, \$273,222
- Rehabilitate 400 South Well and pump house, \$455,458
- Replace sewer line on east side of City, \$372,998
- Develop new electric distribution infrastructure, \$398,343
- Install automated meters for electric readings, \$390,434
- Purchase new solid waste collections truck, \$155,925

SPRINGVILLE CITY'S CAPITAL ASSETS (In Thousands of Dollars)

	Governmental Activities		Business-type Activities	
	2004-2005	2003-2004	2004-2005	2003-2004
Land	9,535	8,442	1,309	1,389
Water Shares			1,200	1,200
Buildings	5,192	4,261	1,770	2,590
System Improvements	41,510	39,947	76,379	73,187
Machinery & Equipment	4,644	4,205	4,796	4,307
Construction in Progress	5,020	2,639		
Less Accumulated Depreciation	(28,280)	(25,430)	(34,012)	(31,798)
Total	37,621	34,064	51,442	50,875

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt - At June 30, 2005, the City had total bonded debt outstanding of \$14,467,000. Of this amount \$690,000 is considered to be general obligation debt and is backed by the full faith and credit of the City. These general obligation bonds were issued specifically for water and sewer development projects and these two enterprise funds provide all funding for the bonds' repayment. \$1,158,000 is special assessment debt which the City is liable for in the event of default by the property owners subject to the assessment. \$11,149,000 is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric, Water and Sewer Utilities). The remainder is in a

municipal building authority lease bond for \$580,000 and an excise tax bond for \$890,000 which are both funded out of General Fund revenues.

SPRINGVILLE CITY'S OUTSTANDING DEBT (In Thousands of Dollars)

	Governmental Activities		Business-type Activities	
	<u>2004-2005</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2003-2004</u>
General Obligation Bonds			690	1,650
Revenue Bonds			11,149	13,319
MBA Bonds	580	675		
Excise Tax Bonds	890	1,040		
Special Assessment Bonds	826	938	332	405
Notes Payable	4,724	2,563		
Capital Leases	216	159		
Compensated Absences	464	441	373	362
Total	<u>7,700</u>	<u>5,816</u>	<u>12,544</u>	<u>15,736</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitation for the City is \$61,321,444 which is much higher than the City's outstanding general obligation debt. In addition, state statute allows for an additional 4% to be used for water, sewer, or electrical projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these water, sewer and electrical projects is thus \$122,642,888. The City has issued significantly less bonds than this debt limit.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the State of Utah was 4.7% compared to a national rate of 5.0%. (Source: Utah Dept of Workforce Services)
- The General Fund budget for FY 2005-2006 reflects a decrease of \$2,196,949 compared to the final budget for FY 2004-2005. In Fiscal 2004-2005, a large transfer (\$3,260,000) to the Capital Projects Fund was budgeted to fund specific projects and to continue to build facility construction reserves. A much smaller transfer (\$558,306) is budgeted for Fiscal 2005-2006. Other expenditures including personnel, operations and capital projects and equipment purchases were held at approximately the same level from FY 2004-2005 to FY 2005-2006 with any growth coming from inflation and planned increases in merit, cost of living and benefits provided to personnel.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Springville City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Finance Director, Springville City, 50 S Main St, Springville, UT 84663.

BASIC FINANCIAL STATEMENTS

SPRINGVILLE CITY CORPORATION

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 7,101,747	\$ 506,430	\$ 7,608,177
Accounts Receivable, Net of Allowance for Uncollectibles	4,410,266	2,053,490	6,463,756
Prepaid Expenses	10,025	250	10,275
Inventory	-	325,318	325,318
Internal Balances	672,747	(672,747)	-
TOTAL CURRENT ASSETS	12,194,785	2,212,741	14,407,526
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	1,361,800	3,899,519	5,261,319
Capital Assets			
Non Depreciable	14,554,646	2,509,337	17,063,983
Depreciable Assets (net of Depreciation)	23,065,912	48,932,929	71,998,841
Other Assets			
Investment in Joint Ventures	1,960,305	2,027,193	3,987,498
TOTAL NONCURRENT ASSETS	40,942,663	57,368,978	98,311,641
TOTAL ASSETS	53,137,448	59,581,719	112,719,167
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	2,116,592	2,373,310	4,489,902
Deferred Revenues	720,296	301,183	1,021,479
TOTAL CURRENT LIABILITIES	2,836,888	2,674,493	5,511,381
NONCURRENT LIABILITIES			
Due Within One Year	5,399,155	2,852,405	8,251,560
Due in more than One Year	2,301,222	9,540,296	11,841,518
TOTAL NONCURRENT LIABILITIES	7,700,377	12,392,701	20,093,078
TOTAL LIABILITIES	10,537,265	15,067,194	25,604,459
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	30,236,082	39,218,904	69,454,986
Restricted for			
Community Improvements	1,534,226	4,051,841	5,586,067
Debt Service	-	806,230	806,230
Unrestricted	10,829,875	437,550	11,267,425
TOTAL NET ASSETS	\$ 42,600,183	\$ 44,514,525	\$ 87,114,708

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<u>FUNCTIONS/PROGRAMS</u>				
Governmental Activities				
General Government	\$ 2,676,356	\$ 1,995,679	\$ -	\$ -
Public Safety	3,357,404	338,535	250,879	4,155
Community Development	577,620	681,412	-	-
Streets	2,516,656	315,128	-	1,967,722
Community Services	2,659,092	441,219	7,276	439,996
Cemetery	197,667	203,280	-	-
Interest on Long-Term Debt	227,848	-	-	-
Total Governmental Activities	<u>12,212,643</u>	<u>3,975,253</u>	<u>258,155</u>	<u>2,411,873</u>
Business-type Activities				
Water	1,909,858	3,036,346	-	558,436
Sewer	1,872,741	2,363,906	-	509,991
Electric	19,352,166	20,246,986	-	648,705
Solid Waste	737,091	961,706	-	-
Golf/Restaurant	883,443	895,082	-	-
Total Business-type Activities	<u>24,755,299</u>	<u>27,504,026</u>	<u>-</u>	<u>1,717,132</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 36,967,942</u>	<u>\$ 31,479,279</u>	<u>\$ 258,155</u>	<u>\$ 4,129,005</u>

General Revenues
Property Taxes
Vehicle Taxes
Sales and Use Taxes
Franchise Taxes
Other Taxes
Unrestricted Investment Earnings
Miscellaneous
Change in Joint Venture
Gain on Sale of Fixed Assets
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Prior Period Adjustment
Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (680,677)	-	\$ (680,677)
(2,763,835)	-	(2,763,835)
103,792	-	103,792
(233,806)	-	(233,806)
(1,770,601)	-	(1,770,601)
5,613	-	5,613
(227,848)	-	(227,848)
<u>(5,567,362)</u>	<u>-</u>	<u>(5,567,362)</u>
-	1,684,924	1,684,924
-	1,001,156	1,001,156
-	1,543,525	1,543,525
-	224,615	224,615
-	11,639	11,639
<u>-</u>	<u>4,465,859</u>	<u>4,465,859</u>
<u>(5,567,362)</u>	<u>4,465,859</u>	<u>(1,101,503)</u>
1,758,216	-	1,758,216
215,113	-	215,113
4,598,395	-	4,598,395
34,900	-	34,900
504,798	-	504,798
307,192	54,487	361,679
68,349	-	68,349
1,880,679	-	1,880,679
-	7,200	7,200
601,525	(601,525)	-
<u>9,969,167</u>	<u>(539,838)</u>	<u>9,429,329</u>
4,401,805	3,926,021	8,327,826
38,198,378	40,423,603	78,621,981
-	164,901	164,901
<u>\$ 42,600,183</u>	<u>\$ 44,514,525</u>	<u>\$ 87,114,708</u>

SPRINGVILLE CITY CORPORATION

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2005

	Governmental-type Activities			
	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,687,458	\$ 3,117,630	\$ 296,659	\$ 7,101,747
Accounts Receivable	253,770	-	-	253,770
Property Taxes Receivable	1,780,018	-	-	1,780,018
Special Assessments Receivable	-	-	1,359,334	1,359,334
Other Receivables	639,602	377,542	-	1,017,144
Due from Other Fund	-	1,511,474	248,839	1,760,313
Prepaid Expenses	10,025	-	-	10,025
Restricted Cash	1,361,800	-	-	1,361,800
Investment in Joint Venture	70,183	-	-	70,183
TOTAL ASSETS	\$ 7,802,856	\$ 5,006,646	\$ 1,904,832	\$ 14,714,334
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 860,462	\$ 388,456	\$ -	\$ 1,248,918
Compensated Absences	222,692	-	-	222,692
Due to Other Fund	1,026,269	-	63,024	1,089,293
Development and Other Bonds Held	731,472	-	-	731,472
Deferred Revenue	1,743,304	-	720,296	2,463,600
TOTAL LIABILITIES	4,584,199	388,456	783,320	5,755,975
FUND BALANCE				
Reserved				
Impact Fees	469,757	-	-	469,757
Class C Roads	994,286	-	-	994,286
Joint Venture	70,183	-	-	70,183
Designated				
Facility Construction	-	2,066,701	-	2,066,701
Community Improvements	-	96,000	-	96,000
Unreserved	1,684,431	2,455,489	1,121,512	5,261,432
TOTAL FUND EQUITY	3,218,657	4,618,190	1,121,512	8,958,359
TOTAL LIABILITIES AND FUND EQUITY	\$ 7,802,856	\$ 5,006,646	\$ 1,904,832	\$ 14,714,334

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

TOTAL GOVERNMENTAL FUNDS BALANCES **\$ 8,958,359**

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. **39,510,680**

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. **1,743,304**

One internal service fund is used by management to charge the cost of vehicle maintenance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities of the statement of net assets. **(75)**

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. **(7,612,085)**

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 42,600,183**

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Governmental-type Activities			
	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,151,437	\$ -	\$ -	\$ 7,151,437
Licenses and Permits	736,033	-	-	736,033
Intergovernmental	1,090,863	-	-	1,090,863
Charges for Services	2,275,070	-	313,357	2,588,427
Fines and Forfeitures	650,793	-	-	650,793
Interest	121,032	41,662	144,498	307,192
Miscellaneous	68,349	-	-	68,349
TOTAL REVENUES	12,093,577	41,662	457,855	12,593,094
EXPENDITURES				
General Government	2,510,645	102,950	5,088	2,618,683
Public Safety	3,293,160	-	-	3,293,160
Community Development	577,620	-	-	577,620
Streets	1,383,816	-	-	1,383,816
Community Services	2,821,107	117,030	-	2,938,137
Cemetery	188,080	-	-	188,080
Debt Service				
Principal	-	-	445,416	445,416
Interest and Finance Charges	-	-	164,971	164,971
Capital Outlay	-	2,820,394	-	2,820,394
TOTAL EXPENDITURES	10,774,428	3,040,374	615,475	14,430,277
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,319,149	(2,998,712)	(157,620)	(1,837,183)
OTHER FINANCING SOURCES (USES)				
Proceeds from Interim Warrants	-	2,160,624	-	2,160,624
Impact Fees	395,504	-	-	395,504
Transfers from Other Funds	824,600	2,760,000	482,391	4,066,991
Change in Joint Venture Equity	(9,443)	-	-	(9,443)
Transfers to Other Funds	(3,465,466)	-	-	(3,465,466)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	(935,656)	1,921,912	324,771	1,311,027
BEGINNING FUND BALANCE	4,537,034	2,696,278	796,741	8,030,053
PRIOR PERIOD ADJUSTMENT	(382,721)	-	-	(382,721)
ENDING FUND BALANCE	\$ 3,218,657	\$ 4,618,190	\$ 1,121,512	\$ 8,958,359

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER
EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS \$ 1,311,027

*Amounts reported for governmental activities in the statement of activities
are different because*

Property taxes will not be collected for several months after the City's fiscal year
end. They are not considered to be available revenues in the governmental
funds. Deferred property tax revenues decreased by this amount this year. (40,015)

Governmental funds report capital outlays as expenditures. In the statement
of activities the cost of those assets is allocated over their estimated useful
as depreciation expense. This is the amount by which capital outlays
exceeded depreciation in the current period. 4,877,887

Issuance of long-term debt provides current financial resources to government
funds. The repayment of the principal of long-term debt consumes the
current financial resources of governmental funds. This amount is the net
difference in the treatment of long-term debt and related items. (1,675,303)

Some revenues and expenses reported in the statement of activities do not
add to or required the use of current financial resources and, therefore, are
not reported as revenues or expenditures in the governmental funds. (71,791)

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS \$ 4,401,805

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget</u>
<u>REVENUES</u>				
Taxes	\$ 6,611,500	\$ 7,025,000	\$ 7,151,437	\$ 126,437
Licenses and Permits	716,100	727,700	736,033	8,333
Intergovernmental	1,430,835	1,625,224	1,090,863	(534,361)
Charges for Services	2,121,529	2,198,814	2,275,070	76,256
Fines and Forfeitures	554,000	632,000	650,793	18,793
Interest	67,000	117,500	121,032	3,532
Miscellaneous	30,000	70,000	68,349	(1,651)
 TOTAL REVENUES	 <u>11,530,964</u>	 <u>12,396,238</u>	 <u>12,093,577</u>	 <u>(302,661)</u>
<u>EXPENDITURES</u>				
General Government	2,626,108	2,578,501	2,510,645	67,856
Public Safety	3,360,450	3,327,147	3,293,160	33,987
Community Development	581,891	574,050	577,620	(3,570)
Streets	1,668,322	1,484,901	1,383,816	101,085
Community Services	2,854,654	2,922,517	2,821,107	101,410
Cemetery	190,784	198,958	188,080	10,878
 TOTAL EXPENDITURES	 <u>11,282,209</u>	 <u>11,086,074</u>	 <u>10,774,428</u>	 <u>311,646</u>
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	248,755	1,310,164	1,319,149	8,985
 <u>OTHER FINANCING SOURCES (USES)</u>				
Impact Fees	385,000	385,000	395,504	10,504
Transfers from Other Funds	673,100	824,600	824,600	-
Equity Change in Joint Venture	-	-	(9,443)	(9,443)
Transfers to Other Funds	(1,310,855)	(3,742,191)	(3,465,466)	276,725
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES				
	(4,000)	(1,222,427)	(935,656)	286,771
 FUND BALANCE ALLOCATION	 <u>4,000</u>	 <u>1,222,427</u>	 <u>-</u>	 <u>(1,222,427)</u>
 EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS				
	\$ -	\$ -	\$ (935,656)	\$ (935,656)

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 61,122	\$ 9,561	\$ 41,175	\$ 394,572	506,430	\$ -
Accounts Receivable, Net of Allowance for Uncollectibles	414,888	229,852	1,194,980	109,399	1,949,119	-
Other Receivables	-	11,627	92,744	-	104,371	-
Due from Other Fund	47,586	-	-	64,735	112,321	1,727
Prepaid Expenses	-	-	-	250	250	-
Inventory	-	-	325,318	-	325,318	-
TOTAL CURRENT ASSETS	523,596	251,040	1,654,217	568,956	2,997,809	1,727
NONCURRENT ASSETS						
Restricted Assets						
Cash and Cash Equivalents	535,745	1,402,606	1,961,168	-	3,899,519	-
Capital Assets						
Land	201,267	20,700	258,498	828,953	1,309,418	-
Water Shares	1,199,919	-	-	-	1,199,919	-
Buildings and Structures	38,098	-	38,077	1,693,997	1,770,172	-
Improvements	14,499,970	15,510,194	46,368,579	-	76,378,743	-
Machinery, Equipment and Vehicles	493,450	717,170	1,875,390	1,709,927	4,795,937	-
Less Accumulated Depreciation	(5,179,893)	(6,385,105)	(20,458,659)	(1,988,266)	(34,011,923)	-
Other Assets						
Investment in Joint Venture	-	-	-	2,027,193	2,027,193	-
TOTAL NONCURRENT ASSETS	11,788,556	11,265,565	30,043,053	4,271,804	57,368,978	-
TOTAL ASSETS	12,312,152	11,516,605	31,697,270	4,840,760	60,366,787	1,727
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	446,147	130,773	833,044	48,690	1,458,654	1,802
Accrued Interest Payable	24,423	39,383	140,260	-	204,066	-
Due to Other Fund	-	303,817	453,638	27,612	785,067	-
Deferred Revenue	-	-	301,183	-	301,183	-
Customer Deposits	8,840	-	351,750	-	360,590	-
Contingent Liability	50,000	-	300,000	-	350,000	-
Compensated Absences	46,872	42,179	173,790	110,565	373,406	-
Current Portion of Long-Term Debt	327,600	216,400	1,935,000	-	2,479,000	-
TOTAL CURRENT LIABILITIES	903,882	732,552	4,488,665	186,867	6,311,966	1,802
NONCURRENT LIABILITIES						
Bonds Payable	1,261,437	1,965,819	6,313,040	-	9,540,296	-
TOTAL NONCURRENT LIABILITIES	1,261,437	1,965,819	6,313,040	-	9,540,296	-
TOTAL LIABILITIES	2,165,319	2,698,371	10,801,705	186,867	15,852,262	1,802
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	9,639,351	7,641,357	19,693,585	2,244,611	39,218,904	-
Restricted						
Community Improvements	313,354	1,036,933	674,361	-	2,024,648	-
Debt Service	148,022	218,850	439,358	-	806,230	-
Investment in Joint Venture	-	-	-	2,027,193	2,027,193	-
Designated for Construction	-	-	-	17,586	17,586	-
Unrestricted	46,106	(78,906)	88,261	364,503	419,964	(75)
TOTAL NET ASSETS	\$ 10,146,833	\$ 8,818,234	\$ 20,895,565	\$ 4,653,893	\$ 44,514,525	\$ (75)

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES						
Charges for Services	\$ 2,963,932	\$ 2,361,007	\$ 20,081,985	\$ 1,804,268	\$ 27,211,192	\$ 162,608
Connection Fees	71,361	-	94,216	-	165,577	-
Miscellaneous	1,053	2,899	70,785	52,520	127,257	-
TOTAL OPERATING REVENUES	3,036,346	2,363,906	20,246,986	1,856,788	27,504,026	162,608
OPERATING EXPENSES						
Salaries and Benefits	488,772	520,287	2,335,702	698,338	4,043,099	137,576
General and Administrative	368,378	426,971	687,091	135,568	1,618,008	3,762
Operations	633,793	398,252	14,069,743	492,443	15,594,231	21,270
Depreciation	328,700	405,454	1,732,367	294,185	2,760,706	-
TOTAL OPERATING EXPENSES	1,819,643	1,750,964	18,824,903	1,620,534	24,016,044	162,608
OPERATING INCOME	1,216,703	612,942	1,422,083	236,254	3,487,982	-
NON-OPERATING REVENUES (EXPENSES)						
Gain on Sale of Equipment	-	-	7,200	-	7,200	-
Impact Fees	304,257	270,730	648,705	-	1,223,692	-
Interest Income	7,018	8,429	29,503	9,537	54,487	-
Interest Expense	(90,215)	(121,777)	(527,263)	-	(739,255)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	221,060	157,382	158,145	9,537	546,124	-
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,437,763	770,324	1,580,228	245,791	4,034,106	-
Capital Contributions	254,179	239,261	-	-	493,440	-
Transfers from Other Funds	-	100,000	3,000,000	223,075	3,323,075	-
Transfers to Other Funds	(2,151,500)	(163,800)	(455,600)	(1,153,700)	(3,924,600)	-
CHANGE IN NET ASSETS	(459,558)	945,785	4,124,628	(684,834)	3,926,021	-
TOTAL NET ASSETS AT BEGINNING OF YEAR	10,606,391	7,872,449	16,606,036	5,338,727	40,423,603	(75)
PRIOR PERIOD ADJUSTMENT	-	-	164,901	-	164,901	-
TOTAL NET ASSETS AT END OF YEAR	\$ 10,146,833	\$ 8,818,234	\$ 20,895,565	\$ 4,653,893	\$ 44,514,525	\$ (75)

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 3,099,871	\$ 2,349,692	\$ 20,322,205	\$ 1,837,163	\$ 27,608,931
Payments to Suppliers	(689,974)	(727,202)	(13,926,350)	(651,552)	(15,995,078)
Payments to Employees	(483,197)	(517,832)	(2,325,937)	(705,058)	(4,032,024)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,926,700	1,104,658	4,069,918	480,553	7,581,829
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Due to Other Funds	-	296,230	(4,174,033)	223,075	(3,654,728)
Transfers from Other Funds	-	100,000	3,000,000	27,612	3,127,612
Due from Other Funds	2,239,864	-	-	(1,153,700)	1,086,164
Transfers to Other Funds	(2,151,500)	(163,800)	(455,600)	301,369	(2,469,531)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	88,364	232,430	(1,629,633)	(601,644)	(1,910,483)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Sale of Assets	-	-	7,200	-	7,200
Impact Fees	304,257	270,730	648,705	-	1,223,692
Swimming Pool Capital Assets moved to General Fund	-	-	-	382,721	382,721
Acquisition of Capital Assets	(1,495,610)	(433,150)	(1,026,890)	(261,603)	(3,217,253)
Bond Payments	(632,636)	(619,667)	(1,904,907)	-	(3,157,210)
Interest Expense	(98,794)	(131,735)	(560,213)	-	(790,742)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(1,922,783)	(913,822)	(2,836,105)	121,118	(5,551,592)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	7,018	8,429	29,503	9,537	54,487
NET CASH FLOWS FROM INVESTING ACTIVITIES	7,018	8,429	29,503	9,537	54,487
NET CHANGE IN CASH AND CASH EQUIVALENTS	99,299	431,695	(366,317)	9,564	174,241
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	497,568	980,472	2,368,660	385,008	4,231,708
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 596,867	\$ 1,412,167	\$ 2,002,343	\$ 394,572	\$ 4,405,949

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds					Governmental
					Activities	
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING						
INCOME TO NET CASH FLOWS FROM						
OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 1,216,703	\$ 612,942	\$ 1,422,083	\$ 236,254	\$ 3,487,982	\$ -
Adjustments						
Depreciation	328,700	405,454	1,732,367	294,185	2,760,706	-
Changes in Assets and Liabilities						
Accounts Receivable, Net	63,525	(13,792)	(1,286)	(19,625)	28,822	-
Other Receivables	-	(422)	76,505	-	76,083	-
Prepaid Expenses	-	-	-	(250)	(250)	-
Inventory	-	-	(50,541)	-	(50,541)	-
Investment in Joint Venture	-	-	-	2,268	2,268	-
Accounts Payable	310,797	98,021	260,217	(25,559)	643,476	822
Compensated Absences	5,575	2,455	9,765	(6,720)	11,075	-
Customer Deposits	1,400	-	19,625	-	21,025	-
Contingent Liability	-	-	300,000	-	300,000	-
Deferred Revenue	-	-	301,183	-	301,183	-
NET CASH FLOWS FROM OPERATING						
ACTIVITIES	\$ 1,926,700	\$ 1,104,658	\$ 4,069,918	\$ 480,553	\$ 7,581,829	\$ 822

Noncash Financing and Investing

Transactions						
Contingent Liability	\$ -	\$ -	\$ 300,000	\$ -	\$ 300,000	\$ -
Developer Contributions of Fixed Assets	\$ 254,179	\$ 239,261	\$ -	\$ -	\$ 493,440	\$ -

See the accompanying notes to the financial statements

SPRINGVILLE CITY, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Springville, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

The City of Springville (the City) was incorporated in 1903 under the laws of the State of Utah. The City operates under a Mayor-Council form of government. The City provides municipal services under the following organizational structure:

Mayor and City Council: Mayor and City Council, Community Promotion, and Advisory Boards and Commissions.

City Administration: City Administrator, Risk Management, Emergency Operations, Recorder, Community and Neighborhood, Computer Services, and Economic Development.

Financial Services: Finance Director, Treasurer, Utilities, Accounting, Facilities, Purchasing, and Warehousing.

City Attorney: Legal Services, Prosecution, Civil and Environmental Law, and Personnel.

Development Services: Planning and Zoning and Code Enforcement.

Public Safety: Police, Dispatch, Fire, Animal Control, and Emergency Medical Services.

Electric: Distribution, Generation and Street Lighting

Public Works: Streets, Engineering, Fleet Maintenance, Water, Solid Waste Services, Water Reclamation, and Storm Sewer Services.

Community Services: Swimming Pool Operations, City Celebrations, Parks, Outdoor Recreation Programs, Senior Citizen Programs, Library and Cemetery.

The City is a municipal corporation governed by an elected five-member Council and Mayor. As required by generally accepted accounting principles, these financial statements present the City (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

NOTE 1 - (CONTINUED)

Included with the reporting entity as blended component units are the following organizations:

A five-member board of trustees composed of the City Council governs the Redevelopment Agency of the City of Springville (RDA). Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Special Revenue Fund. Separate financial statements are not issued for the RDA.

A five-member board of trustees composed of the City Council governs the Municipal Building Authority of the City of Springville (MBA). Although it is a legally separate entity from the City, the MBA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the MBA. The activities of the MBA are included in these financial statements as the Municipal Building Authority Debt Service Fund. Separate financial statements are not issued for the MBA.

The joint ventures with Spanish Fork/Springville Airport and South Utah Valley Solid Waste District are included in the City's reporting entity because of the significance of their operational and financial relationships with the City. Complete financial statements of the joint ventures, which issued separate financial statements can be obtained from their administrative offices.

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - (CONTINUED)

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *special revenue fund* is used to account special improvement district collections and related debt service payments.

The *capital projects fund* is used to account for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

The *sewer fund* accounts for the activities of the City's sewer treatment operations.

The *electric fund* accounts for the activities of the City's electric generation and distribution operations.

Activities of these three funds include administration, operations and maintenance of the water, sewer and electric systems and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all water, sewer and electric fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

Additionally, the City uses an *internal service fund* to account for the costs of operating and maintaining vehicles and equipment owned by the City.

NOTE 1 - (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the general fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances".

C. Inventories and prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. These costs are recorded as an expenditure when used. Proprietary fund inventories are recorded at the lower of cost or market on a weighted average basis, which approximates the first-in, first-out method.

D. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

NOTE 1 - (CONTINUED)

E. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and structures	20-40 years
Improvements and infrastructure	7-40 years
Machinery, equipment and vehicles	5-15 years

F. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. At retirement, death, or termination, all unpaid accrued vacation is paid to the beneficiary. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid or at termination. The current portion is determined by the City to be the portion of vacation pay due employees who terminated prior to year-end. Accumulated sick leave is earned at a rate of one day per month and employees have an option to sell back to the City 25% of current year accrual each November. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate unlimited sick leave. Employees who retire are paid 25% of accumulated sick leave at retirement.

G. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 - (CONTINUED)

H. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

I. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc.. These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2005 and unpaid from 2004, as well as special improvement district assessments receivable at June 30, 2005 are shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

NOTE 2 - (CONTINUED)

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

JOINT VENTURE CAPITAL ASSETS	
Airport Improvements	\$ 1,890,122
SPRINGVILLE CITY CAPITAL ASSETS	
Land	9,535,042
Buildings and Structures	5,191,424
Improvements	41,510,216
Machinery, Equipment and Vehicles	4,644,395
Construction in Progress	5,019,604
Less Accumulated Depreciation	<u>(28,280,123)</u>
Net Capital Asset Difference	<u>\$ 39,510,680</u>

Other Long-Term Asset Differences

Property taxes due in November 2005 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2005	<u>\$ 1,743,304</u>
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Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Accrued Interest Payable	\$ (134,400)
Revenue Bonds Payable	(2,296,000)
Notes Payable	(4,723,753)
Capital Leases Payable	(216,264)
Long-Term Compensated Absences	<u>(241,668)</u>
Total Long-Term Liability Difference	<u>\$ (7,612,085)</u>

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

NOTE 2 - (CONTINUED)

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Developer Contributions	\$ 1,183,661
Capital Outlay	4,233,242
Swimming Pool Moved to General Fund	1,890,122
Depreciation Expense	<u>(2,429,138)</u>
Net Difference	\$ <u>4,877,887</u>

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Debt Issued	
Notes	\$ (2,160,624)
Principal Repayments	
Revenue Bonds	357,000
Capital Leases	<u>128,321</u>
Net Difference	\$ <u>(1,675,303)</u>

Other Revenue and Expense Differences

The changes in long-term compensated absences and in accrued interest payable are not reported in the statement of revenues, expenditures and changes in fund balance. Both changes are reported in the statement of activities. The details of these differences are reported below:

Change in Long-Term Compensated Absences	\$ (8,914)
Change in Accrued Interest Payable	<u>(62,877)</u>
Net Difference	\$ <u>(71,791)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor and the Finance Director, submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

NOTE 3 - (CONTINUED)

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

NOTE 4 - (CONTINUED)

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$522,603 of the City's bank balances of \$658,681 were uninsured and uncollateralized.

At June 30, 2005, the carrying amount and the bank balance of the City's bank deposits was \$233,782 and \$658,681, respectively.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF),

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses - net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America; or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements; or certain other investments.

NOTE 4 - (CONTINUED)

As of June 30, 2005, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$10,883,326	\$10,763,585	\$ 119,741	\$ -	\$ -
U.S. Treasuries	<u>1,750,670</u>	-	<u>1,166,392</u>	<u>467,653</u>	<u>116,625</u>
Total Investments	<u>\$12,633,996</u>	<u>\$10,763,585</u>	<u>\$ 1,286,133</u>	<u>\$ 467,653</u>	<u>\$ 116,625</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. As of June 30, 2005, the City had \$1,750,670 in U.S. Treasury accounts which were held by the counterparty's trust departments or agents but not in the government's name.

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 233,782
Investments	12,633,996
Cash on Hand	<u>1,718</u>
Total	<u>\$ 12,869,496</u>
Cash and Cash Equivalents	\$ 7,608,177
Restricted Cash and Cash Equivalents	<u>5,261,319</u>
Total	<u>\$ 12,869,496</u>

NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2005 are presented in the schedule below.

Property taxes are levied on January 1 of 2005, are due in November of 2005, and are budgeted for the 2006 fiscal year. Even though they are not intended to fund the 2005 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

NOTE 5 - (CONTINUED)

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable within the current period is considered susceptible to accrual as revenue of the current period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2005:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 253,770	\$ 2,006,172	\$ 2,259,942
Allowance for Uncollectible	-	(57,053)	(57,053)
Property Taxes Receivable	1,780,018	-	1,780,018
Special Assessments Receivable	1,359,334	-	1,359,334
Other Receivables	<u>1,017,144</u>	<u>104,371</u>	<u>1,121,515</u>
Total	<u>\$ 4,410,266</u>	<u>\$ 2,053,490</u>	<u>\$ 6,463,756</u>

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2005:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 8,441,801	\$ 1,093,241	\$ -	\$ 9,535,042
Construction in Progress	2,639,337	2,380,267	-	5,019,604
Capital Assets being Depreciated				
Buildings and Structures	4,260,538	930,886	-	5,191,424
Improvements	39,947,414	1,562,802	-	41,510,216
Machinery, Equipment and Vehicles	<u>4,205,128</u>	<u>565,358</u>	<u>(126,090)</u>	<u>4,644,396</u>
Total	59,494,218	6,532,554	(126,090)	65,900,682
Less Accumulated Depreciation	<u>(25,430,183)</u>	<u>(2,976,031)</u>	<u>126,090</u>	<u>(28,280,124)</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,064,035</u>	<u>\$ 3,556,523</u>	<u>\$ -</u>	<u>\$ 37,620,558</u>

NOTE 6 - (CONTINUED)

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2005:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 1,389,418	\$ -	\$ (80,000)	\$ 1,309,418
Water Shares	1,199,919	-	-	1,199,919
Capital Assets being Depreciated				
Buildings and Structures	2,590,320	15,936	(836,084)	1,770,172
Improvements	73,186,530	3,192,213	-	76,378,743
Machinery, Equipment and Vehicles	<u>4,306,924</u>	<u>502,544</u>	<u>(13,531)</u>	<u>4,795,937</u>
Total	82,673,111	3,710,693	(929,615)	85,454,189
Less Accumulated Depreciation	<u>(31,798,109)</u>	<u>(2,760,706)</u>	<u>546,892</u>	<u>(34,011,923)</u>
Business-type Activities Capital Assets, Net	<u>\$ 50,875,002</u>	<u>\$ 949,987</u>	<u>\$ (382,723)</u>	<u>\$ 51,442,266</u>

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	\$ 101,541
Public Safety	309,526
Streets	1,774,927
Community Services	225,194
Cemetery	<u>17,950</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 2,429,138</u>
Business-type Activities	
Water	\$ 328,700
Sewer	405,454
Electric	1,732,367
Solid Waste	152,866
Golf Course/Restaurant	<u>141,319</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 2,760,706</u>

NOTE 7 - INVESTMENT IN JOINT VENTURES

Spanish Fork/Springville Airport

The City is party to a joint venture with Spanish Fork City, a neighboring municipality, in the Spanish Fork/Springville Airport (the Airport). The joint venture was organized under an interlocal agreement per Section 11-13 of the Utah Code. It was created to provide airport services for both communities. Additional information is as follows:

NOTE 7 - (CONTINUED)

a. Participants and their percentage shares:

Springville City	50.0%
Spanish Fork City	50.0%

- b. The Airport is governed by the City Councils of the two participating cities. It also has an Oversight Board, which is selected from members of the participants' City Councils and other citizens of the two communities.
- c. The Airport Oversight Board oversees the operations of the airport through management employed by the Board. The Airport is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing. As the governing board is made up of the participants' city councils and appointees, each participant has indirect control over these matters.
- d. Summary financial information, as of the joint venture's last year end of June 30, 2005, is as follows:

	Spanish Fork/ Springville Airport	Springville City's Share
Total Assets	\$ <u>3,920,609</u>	\$ <u>1,960,305</u>
Net Assets	\$ <u>3,920,609</u>	\$ <u>1,960,305</u>
Program Revenues	\$ 679,147	\$ 339,574
General Revenues	4,476	2,238
Program Expenses	<u>(163,781)</u>	<u>(81,891)</u>
Change in Net Assets	\$ <u>519,842</u>	\$ <u>259,921</u>

- e. Audited financial statements for the Spanish Fork/Springville Airport are available at the Airport offices, 5300 South 200 West, Spanish Fork, Utah.

South Utah Valley Solid Waste District

The City is party to a joint venture with five other municipalities in the South Utah Valley Solid Waste District (the District). The District was created for the purpose of building a landfill and transfer station and operating the same for the benefit of member municipalities. The majority of the District's solid waste revenue comes from these governmental entities. Additional information is as follows:

a. Participants and their percentage shares:

Springville City	15.00%
Provo City	69.75%
Spanish Fork City	11.75%
Mapleton City	2.00%
Salem City	1.50%
Goshen Town	<u>0.00%</u>
	<u>100.00%</u>

NOTE 7 - (CONTINUED)

- b. The District is governed by a board of directors, which is comprised of six members. The mayor and city council of each member city appoints one director. All decisions of the board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo City to prevail in a tie vote, they would need one additional city to vote with them.
- c. The District's Board of directors governs the operations of the District through management employed by the board. The district is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing.
- d. Summary financial information as of the joint venture's last fiscal year end for which an audit has been completed, June 30, 2004, is as follows:

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Total Assets	\$ 16,567,081	\$ 2,485,062
Total Liabilities	(3,052,463)	(457,869)
Net Assets	<u>\$ 13,514,618</u>	<u>\$ 2,027,193</u>
Operating Revenues	\$ 3,605,094	\$ 540,764
Operating Expenditures	<u>(3,728,632)</u>	<u>(559,295)</u>
Net Operating Income (Loss)	(123,538)	(18,531)
Total Non-Operating Income (Expense)	<u>108,419</u>	<u>16,263</u>
Net Income (Loss)	<u>\$ (15,119)</u>	<u>\$ (2,268)</u>

- e. The joint venture has the following long-term debt:

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Closure and Postclosure Liability	\$ 2,691,748	\$ 403,762
Accrued Compensated Absences	<u>123,560</u>	<u>18,534</u>
Total Long-Term Liabilities	<u>\$ 2,815,308</u>	<u>\$ 422,296</u>

- f. Audited financial statement for the south Utah Valley Solid Waste district are available at the District offices, 2450 West 400 South, Springville, Utah.

NOTE 8 - CAPITAL LEASES

The City has entered into lease agreements, as the lessee, to finance the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All City lease contracts contain a fiscal non-funding clause, which gives the City Council the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of City management, the likelihood of this clause being exercised is remote.

NOTE 8 - (CONTINUED)

The following is a schedule of yearly future lease payments for the capital leases together with the present value of the net minimum lease payments as of June 30, 2005:

<u>Year Ending June 30,</u>	
2006	\$ 77,872
2007	77,871
2008	40,021
2009	<u>40,021</u>
Total Minimum Lease Payments	235,785
Interest Portion	<u>(19,522)</u>
Present Value of Net Minimum Lease Payments	216,263
Amount Due Within One Year	<u>(68,710)</u>
Amount Due After One Year	<u>\$ 147,553</u>

NOTE 9 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City at June 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Revenue Bonds					
2000 Municipal Building Authority Lease	\$ 675,000	\$ -	\$ (95,000)	\$ 580,000	\$ 105,000
2000 Excise Tax	1,040,000	-	(150,000)	890,000	160,000
2000 Special Assessment	938,000	-	(112,000)	826,000	119,000
Notes Payable					
2003 Interim Warrants	2,563,129	2,160,624	-	4,723,753	4,723,753
Capital Leases					
2000 800 Megahertz Radio System	55,952	-	(55,952)	-	-
2002 Fire Truck	102,596	-	(32,465)	70,131	34,169
2005 Grader	-	186,037	(39,905)	146,132	34,541
Compensated Absences	<u>441,387</u>	<u>22,974</u>	<u>-</u>	<u>464,361</u>	<u>222,692</u>
	<u>\$ 5,816,064</u>	<u>\$ 2,369,635</u>	<u>\$ (485,322)</u>	<u>\$ 7,700,377</u>	<u>\$ 5,399,155</u>

NOTE 9 - (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities</u>					
Revenue Bonds					
1993 Electric Refunding	\$ 1,675,000	\$ -	\$(1,675,000)	\$ -	\$ 1,430,000
1996 Electric	6,410,000	-	(265,000)	6,145,000	62,000
1998 Sewer	1,239,000	-	(60,000)	1,179,000	77,000
1998 Special Assessment	405,000	-	(73,000)	332,000	180,000
1998 Water and Sewer	1,805,000	-	(170,000)	1,635,000	505,000
2000 Electric	2,190,000	-	-	2,190,000	-
General Obligation Bonds					
2001 Water and Sewer	1,650,000	-	(960,000)	690,000	225,000
Compensated Absences	<u>362,331</u>	<u>11,075</u>	<u>-</u>	<u>373,406</u>	<u>373,406</u>
	<u>\$ 15,736,331</u>	<u>\$ 11,075</u>	<u>\$(3,203,000)</u>	12,544,406	<u>\$ 2,852,406</u>
Unamortized Bond Issuance Costs and Discounts				<u>(151,705)</u>	
				<u>\$12,392,701</u>	

Long-term debt and obligations payable at June 30, 2005 were as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Bonds Payable				
Municipal Building Authority Lease Revenue Bonds, Series 2000, (original amount-- \$1,020,000)	6.00%	2010	\$ 105,000	\$ 475,000
Excise Tax Revenue Bonds, dated December 22, 2000, (original amount-- \$1,250,000)	5.30% to 5.75%	2010	160,000	730,000
Special Assessment Bonds, dated December 22, 2000 (original amount-- \$1,234,000)	5.97%	2011	119,000	707,000
Interim Warrants			4,723,753	-
Fire Truck (original amount--\$162,746)	5.25%	2007	34,169	35,962
Grader (original amount--\$186,037)	3.75%	2009	34,541	111,591
Compensated Absences			<u>222,692</u>	<u>241,669</u>
Total Governmental Activities Long-term Debt			<u>\$ 5,399,155</u>	<u>\$ 2,301,222</u>

In December 2005, the City intends to issue bonds to redeem the interim warrants.

NOTE 9 - (CONTINUED)

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Bonds Payable				
Electric Revenue Bonds, dated February 1, 1996, (original amount--\$8,015,000)	4.00% to 5.00%	2009	\$ 1,430,000	\$ 4,715,000
Sewer Revenue Bonds, dated February 1, 1998, (original amount--\$1,500,000)	4.50%	2019	62,000	1,117,000
Special Improvement District #25 Bonds, dated October 1, 1998, (original amount--\$722,000)	5.00% to 5.30%	2009	77,000	255,000
Water and Sewer Revenue Bonds, dated October 6, 1998, (original amount--\$2,625,000)	3.40% to 4.30%	2013	180,000	1,455,000
Electric Revenue Bonds, Dated July 1, 2000, (original amount--\$2,190,000)	5.40% to 5.60%	2009	505,000	1,685,000
Water and Sewer General Obligation Refunding Bonds, Dated August 23, 2001, (Original Amount--\$3,165,000)	4.00% to 4.10%	2008	225,000	465,000
Compensated Absences			373,406	-
Unamortized Bond Issuance Costs and Discounts			-	(151,704)
			<u>\$ 2,852,406</u>	<u>\$ 9,540,296</u>

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 5,176,462	\$ 143,788	\$ 2,479,000	\$ 582,993	\$ 7,655,462	\$ 726,781
2007	472,799	118,416	2,591,000	467,115	3,063,799	585,531
2008	460,180	91,739	2,703,000	343,417	3,163,180	435,156
2009	489,575	65,617	2,605,000	209,097	3,094,575	274,714
2010	479,000	37,628	279,000	77,165	758,000	114,793
2011-2015	158,000	9,433	1,101,000	209,920	1,259,000	219,353
2016-2019	-	-	413,000	47,520	413,000	47,520
	<u>\$ 7,236,016</u>	<u>\$ 466,621</u>	<u>\$ 12,171,000</u>	<u>\$ 1,937,227</u>	<u>\$ 19,407,016</u>	<u>\$ 2,403,848</u>

NOTE 9 - (CONTINUED)

All outstanding revenue bonds are secured by a first lien on net revenues earned by the City. Net revenues are defined in the revenue bond agreements. The City is required to establish rates (including connection fees) sufficient to pay the operation and maintenance expenses and to provide net revenues in an amount not less than 130% of the aggregated annual debt service requirement for the forthcoming fiscal year. The following summarizes the debt service coverage calculations for the various revenue bonds:

	<u>Water Revenue Bonds</u>	<u>Sewer Revenue Bonds</u>	<u>Electric Revenue Bonds</u>
Net Revenues			
Operating Revenues	\$ 3,036,346	\$ 2,363,906	\$20,246,986
Operating Expenses(excluding depreciation and amortization)	(1,490,943)	(1,345,510)	(17,092,536)
Impact Fees	304,257	270,730	648,705
Interest Income	7,018	8,429	29,503
Gain on Sale of Assets	<u>-</u>	<u>-</u>	<u>7,200</u>
Net revenues	<u>\$ 1,856,678</u>	<u>\$ 1,297,555</u>	<u>\$ 3,839,858</u>
Maximum Aggregate Debt Service	<u>\$ 343,300</u>	<u>\$ 246,000</u>	<u>\$ 2,245,000</u>
Ratio of Net Revenues to Aggregate Debt Service	<u>541%</u>	<u>527%</u>	<u>171%</u>
Minimum Ratio	<u>130%</u>	<u>130%</u>	<u>130%</u>

NOTE 10 - CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State or any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2005 there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$800,432.

NOTE 11 - RETIREMENT PLANS

Springville City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Division A Noncontributory Retirement System, and the Firefighters Retirement System, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

NOTE 11 - (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6.00% to the Contributory, and 8.61% to the Firefighters Retirement Systems, respectively. Springville City is required to contribute a percent of covered salary to the respective systems, 7.08% to the Contributory, 11.09% to the Noncontributory, and 19.08% to the Public Safety Noncontributory Systems. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Springville City's contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 respectively were; for the Contributory System, \$29,559, \$26,428 and \$23,549; for the Noncontributory System, \$593,464, \$500,068, and \$438,695; for the Public Safety Noncontributory, \$195,307, \$176,125, and \$145,514; for the Firefighters System, \$9,736, \$9,043, and \$8,257, respectively. The contributions were equal to the required contributions for each year.

NOTE 12 - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by The Benefit Source under the Internal Revenue Code Section 401(k) for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City's total payroll in the fiscal year ended June 30, 2005, was \$7,591,732. Of that amount, \$6,452,007 was eligible to participate in the plan. The City participates at rates between 0% and 3.35% depending on the employees' contributions. The rate of City participation can be changed by the City Council. During the year ended June 30, 2005, contributions totaling \$184,207 were made to the plan by employees and \$215,548 by the City.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Legal Claims

There are several pending lawsuits in which the City is involved. During 2002, a contingent liability of \$50,000 was recorded for a lawsuit with an estimated 5% likelihood of an unfavorable outcome. During 2005, a contingent liability of \$300,000 was recorded in the electric fund for a lawsuit. The City Attorney estimates the potential claims against the City resulting from litigation not covered by insurance would not materially affect the financial position of the City.

NOTE 13 - (CONTINUED)

Southern Utah Valley Power Systems (SUVPS)

In 2002, the City entered into a power service contract with SUVPS which expires on the later of (1) the date the principal, premium, if any, and interest on all of the SUVPS bonds have been paid or (2) the final shut down date of SUVPS. The contract entitles the City to approximately 57.32 percent of the capacity of the Dry Creek Substation. The City is obligated for 57.32 percent of the debt service on approximately \$3,745,000 in electric revenue bonds outstanding at June 30, 2005, issued to finance construction of the Dry Creek Substation.

Utah Associated Municipal Power System (UAMPS)

The City is a member of Utah Associated Municipal Power System (UAMPS), a political subdivision of the State of Utah created to secure electric power for the members of UAMPS. As a member, the City has entered into power supply agreements with respect to various projects in which UAMPS participates. The total cost of the power the City will be required to purchase in future years is not determinable. During the year ended June 30, 2005, the City purchased power totaling approximately \$7.7 million.

The City is obligated through power service contracts with UAMPS for the consequences of "take or pay" contracts with UAMPS customers. The City is also obligated through power service contracts to pay its proportionate share of bonded indebtedness. UAMPS service charges to the City include the City's proportionate obligation for the following items:

UAMPS Payson Generation Plant

In 2005, the City entered into a power service contract with UAMPS which expires on the later of (1) the date the principal, premium, if any, and interest on all of the UAMPS Payson Generation Plant revenue bonds have been paid or (2) the final shutdown date of the Payson Generation Plant. The contract entitles the City to approximately 19.11 percent of the output of the Payson Generation Plant. The City is obligated for 19.11 percent of the debt service on approximately \$100,850,000 in revenue bonds outstanding at June 30, 2005, issued to finance construction of the plant.

UAMPS and Power Sales

During the third quarter of 2001, UAMPS entered into power sales contracts to purchase up to 125 megawatts of power from three suppliers. In order to meet its payment obligations, UAMPS obtained lines of credit totaling \$50 million from Zions Bank. The lines of credit were used to cover losses associated with the power sales contracts. Beginning in March 2003, to repay the lines of credit, UAMPS members are being charged a \$2 per megawatt hour recovery charge based on total power sales for the year. As of June 30, 2005, the balance of Springville City's outstanding recovery charge is \$325,484.

Future Commitments and Contingencies

San Juan - An equity purchase of 4 megawatts of energy from the San Juan coal-fired plant started in July 2005. The four megawatts represents approximately 14.9% of the plant's capacity so Springville City is obligated for a corresponding 13.5% of the bonded debt. The outstanding bond principal as of June 30, 2005 was \$28,725,000. This power is a base load project, meaning that power is delivered 24 hours per day whenever the plant is operating. The average cost of a delivered kilowatt of power from the San Juan project is projected at \$0.0505/kwh. Springville City expects to receive approximately 30.0 million kilowatts of power over the course of an average year.

NOTE 13 - (CONTINUED)

Deseret Generation and Transmission Contract - This is a flexible wholesale power contract. Springville will receive 10 megawatts of power from Deseret Generation and Transmission from October 1, 2005 until December 31, 2012. Power will not be available between June and September for 2006 and 2007. Springville City has the option to take power as base load, intermediate or peaking power subject to restrictions in the agreement. The price for each option is set by formula and is tied to twelve months of market prices with a floor and ceiling. The contract ensures that Springville will generally be purchasing power at costs less than market averages.

NOTE 14 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	In	Out
General Fund	\$ 824,600	\$ 3,465,466
Debt Service Fund	306,891	-
Municipal Building Authority Fund	135,500	-
Capital Projects Fund	2,760,000	-
Enterprise Funds		
Water	-	2,151,500
Sewer	100,000	163,800
Electrical	3,000,000	455,600
Solid Waste	-	147,100
Golf Course/Restaurant	-	1,006,600
Swimming Pool	223,075	-
Permanent Funds	40,000	-
	<u>\$ 7,390,066</u>	<u>\$ 7,390,066</u>

NOTE 15 - SPRINGVILLE REDEVELOPMENT AGENCY

The following information is presented as required by the Utah State Code Section 17A-2-1217(3):

1.	The tax increment collected by the agency	\$ -
2.	The amount of tax increment paid to Springville City	\$ -
3.	The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	\$ -
4.	The actual amount expended for:	
	A. Acquisition of property	\$ -
	B. Site Improvements	-
	C. Installation of public utilities and roads	-
	D. Administration costs	-
	TOTAL EXPENDED	<u>\$ -</u>

NOTE 16 - RISK MANAGEMENT

The City is a member of a combined risk management pool consisting of twenty-three (23) member Cities in the State of Utah. Utah Risk Management Mutual Association (URMMA) is a not-for-profit entity created to pool the resources of local governments together to provide low-cost liability and risk insurance. URMMA provides its members with training and legal and technical support in operating the City's risks. Springville has a representative as a member of the board that meets annually to discuss policies and procedures. An executive board is elected from the members to meet regularly to discuss risk issues and to make recommendations to the rest of the members at the annual meeting. The City is involved with all aspects of controlling and reducing risk with the help of the association. The association provides annual and semi-annual audits on the City's policies and practices as they relate to risk in the work place and other liability risks that arise.

NOTE 17 - PRIOR PERIOD ADJUSTMENT

In 2005, the swimming pool was reclassified from an enterprise fund to a general fund department. It is now included in the community services department of the City. As an enterprise fund, the swimming pool fixed assets were capitalized and were being depreciated. Now that it is included in the general fund, using the current financial resources measurement focus basis of accounting, the fixed assets are not capitalized, nor are they being depreciated. A prior period adjustment of \$382,721 was recorded in 2005 to reflect the difference in the two methods of accounting.

A prior period adjustment of \$164,901 was recorded in the electric fund in 2005 to reflect revenue earned on special improvement district #29 in 2004 which was not recorded until 2005.



SUPPLEMENTARY INFORMATION

SPRINGVILLE CITY CORPORATION

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

	Special Revenue Fund		Debt Service Funds			Total Nonmajor Governmental Funds
	Special Improvement	Redevelopment Agency	Debt Service	Municipal Building Authority	Permanent Fund	
ASSETS						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 1,249	\$ 295,410	\$ 296,659
Special Assessments Receivable	1,359,334	-	-	-	-	1,359,334
Due from Other Fund	-	1,914	77,197	-	169,728	248,839
TOTAL ASSETS	\$ 1,359,334	\$ 1,914	\$ 77,197	\$ 1,249	\$ 465,138	\$ 1,904,832
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Fund	63,024	-	-	-	-	63,024
Deferred Revenue	720,296	-	-	-	-	720,296
TOTAL LIABILITIES	783,320	-	-	-	-	783,320
FUND BALANCE						
Unreserved	576,014	1,914	77,197	1,249	465,138	1,121,512
TOTAL FUND EQUITY	576,014	1,914	77,197	1,249	465,138	1,121,512
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,359,334	\$ 1,914	\$ 77,197	\$ 1,249	\$ 465,138	\$ 1,904,832

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Special Revenue Fund</u>		<u>Debt Service Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Special Improvement</u>	<u>Redevelop- ment Agency</u>	<u>Debt Service</u>	<u>Municipal Building Authority</u>	<u>Permanent Fund</u>	
<u>REVENUES</u>						
Charges for Services	\$ 289,022	\$ -	\$ -	\$ -	\$ 24,335	\$ 313,357
Interest	144,396	-	-	41	61	144,498
TOTAL REVENUES	433,418	-	-	41	24,396	457,855
<u>EXPENDITURES</u>						
General Government	-	-	-	-	5,088	5,088
Debt Service						
Principal	112,000	-	238,416	95,000	-	445,416
Interest and Finance Charges	56,246	-	68,225	40,500	-	164,971
TOTAL EXPENDITURES	168,246	-	306,641	135,500	5,088	615,475
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	265,172	-	(306,641)	(135,459)	19,308	(157,620)
<u>OTHER FINANCING SOURCES</u>						
Transfers From Other Funds	-	-	306,891	135,500	40,000	482,391
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	265,172	-	250	41	59,308	324,771
BEGINNING FUND BALANCE	310,842	1,914	76,947	1,208	405,830	796,741
ENDING FUND BALANCE	\$ 576,014	\$ 1,914	\$ 77,197	\$ 1,249	\$ 465,138	\$ 1,121,512

SPRINGVILLE CITY CORPORATION

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2005

	<u>Solid Waste</u>	<u>Golf Course/ Restaurant</u>	<u>Swimming Pool</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 393,992	\$ 580	\$ -	\$ 394,572
Accounts Receivable, Net of Allowance for Uncollectibles	109,399	-	-	109,399
Due from Other Fund	64,735	-	-	64,735
Prepaid Expenses	-	250	-	250
TOTAL CURRENT ASSETS	<u>568,126</u>	<u>830</u>	<u>-</u>	<u>568,956</u>
NONCURRENT ASSETS				
Capital Assets				
Land	487,433	341,520	-	828,953
Buildings and Structures	254,635	1,439,362	-	1,693,997
Machinery, Equipment and Vehicles	1,315,257	394,670	-	1,709,927
Less Accumulated Depreciation	(964,562)	(1,023,704)	-	(1,988,266)
Other Assets				
Investment In Joint Venture	2,027,193	-	-	2,027,193
TOTAL NONCURRENT ASSETS	<u>3,119,956</u>	<u>1,151,848</u>	<u>-</u>	<u>4,271,804</u>
TOTAL ASSETS	<u>3,688,082</u>	<u>1,152,678</u>	<u>-</u>	<u>4,840,760</u>
LIABILITIES				
Accounts Payable	28,469	20,221	-	48,690
Due to Other Fund	-	27,612	-	27,612
Compensated Absences	13,132	97,433	-	110,565
TOTAL LIABILITIES	<u>41,601</u>	<u>145,266</u>	<u>-</u>	<u>186,867</u>
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	1,092,763	1,151,848	-	2,244,611
Restricted				
Investment In Joint Venture	2,027,193	-	-	2,027,193
Designated for Construction	-	17,586	-	17,586
Unrestricted	526,525	(162,022)	-	364,503
TOTAL NET ASSETS	<u>\$ 3,646,481</u>	<u>\$ 1,007,412</u>	<u>\$ -</u>	<u>\$ 4,653,893</u>

SPRINGVILLE CITY CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Solid Waste	Golf Course/ Restaurant	Swimming Pool	Total Nonmajor Enterprise Funds
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 909,186	\$ 895,082	\$ -	\$ 1,804,268
Miscellaneous	<u>52,520</u>	<u>-</u>	<u>-</u>	<u>52,520</u>
TOTAL OPERATING REVENUES	<u>961,706</u>	<u>895,082</u>	<u>-</u>	<u>1,856,788</u>
<u>OPERATING EXPENSES</u>				
Salaries and Benefits	169,434	528,904	-	698,338
General and Administrative	87,868	47,700	-	135,568
Operations	326,923	165,520	-	492,443
Depreciation	<u>152,866</u>	<u>141,319</u>	<u>-</u>	<u>294,185</u>
TOTAL OPERATING EXPENSES	<u>737,091</u>	<u>883,443</u>	<u>-</u>	<u>1,620,534</u>
OPERATING INCOME (LOSS)	<u>224,615</u>	<u>11,639</u>	<u>-</u>	<u>236,254</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest Income	<u>9,458</u>	<u>79</u>	<u>-</u>	<u>9,537</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>9,458</u>	<u>79</u>	<u>-</u>	<u>9,537</u>
INCOME (LOSS) BEFORE TRANSFERS	234,073	11,718	-	245,791
Transfers from Other Funds	-	-	223,075	223,075
Transfers to Other Funds	<u>(147,100)</u>	<u>(1,006,600)</u>	<u>-</u>	<u>(1,153,700)</u>
CHANGE IN NET ASSETS	86,973	(994,882)	223,075	(684,834)
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>3,559,508</u>	<u>2,002,294</u>	<u>(223,075)</u>	<u>5,338,727</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 3,646,481</u>	<u>\$ 1,007,412</u>	<u>\$ -</u>	<u>\$ 4,653,893</u>

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Solid Waste	Golf Course/ Restaurant	Swimming Pool	Total Nonmajor Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from Customers	\$ 942,081	\$ 895,082	\$ -	\$ 1,837,163
Payments to Suppliers	(410,444)	(233,420)	(7,688)	(651,552)
Payments to Employees	(169,259)	(522,385)	(13,414)	(705,058)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>362,378</u>	<u>139,277</u>	<u>(21,102)</u>	<u>480,553</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers from Other Funds	-	-	223,075	223,075
Due to Other Funds	-	27,612	-	27,612
Transfers to Other Funds	(147,100)	(1,006,600)	-	(1,153,700)
Due from Other Funds	(29,351)	915,453	(584,733)	301,369
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>(176,451)</u>	<u>(63,535)</u>	<u>(361,658)</u>	<u>(601,644)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Swimming Pool Capital Assets moved to General Fund	-	-	382,721	382,721
Acquisition of Capital Assets	(185,927)	(75,676)	-	(261,603)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(185,927)</u>	<u>(75,676)</u>	<u>382,721</u>	<u>121,118</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Income	<u>9,458</u>	<u>79</u>	<u>-</u>	<u>9,537</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>9,458</u>	<u>79</u>	<u>-</u>	<u>9,537</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,458	145	(39)	9,564
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>384,534</u>	<u>435</u>	<u>39</u>	<u>385,008</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 393,992</u>	<u>\$ 580</u>	<u>\$ -</u>	<u>\$ 394,572</u>

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Solid Waste</u>	<u>Golf Course/ Restaurant</u>	<u>Swimming Pool</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>RECONCILIATION OF OPERATING</u>				
<u>INCOME TO NET CASH FLOWS FROM</u>				
<u>OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ 224,615	\$ 11,639	\$ -	\$ 236,254
Adjustments				
Depreciation	152,866	141,319	-	294,185
Changes in Assets and Liabilities				
Accounts Receivable, Net	(19,625)	-	-	(19,625)
Prepaid Expenses	-	(250)	-	(250)
Investment in Joint Venture	2,268	-	-	2,268
Accounts Payable	2,079	(19,950)	(7,688)	(25,559)
Compensated Absences	175	6,519	(13,414)	(6,720)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 362,378</u>	<u>\$ 139,277</u>	<u>\$ (21,102)</u>	<u>\$ 480,553</u>

STATE LEGAL COMPLIANCE REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

September 28, 2005

**The Honorable Mayor
Members of the City Council
Springville City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information which collectively comprise the basic financial statements of Springville City, Utah, as of and for the year ended June 30, 2005 and have issued my report thereon dated September 28, 2005. As part of my audit, I have audited Springville City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)**

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements.)

**Victims Advocate Grant
Public Library Development Grant
Tree Planting Grant**

**Police Tobacco Grant
Cops in Shops Grant
EMS Grant**

My audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

**Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and
Property Tax Limitations
Class C Road Funds**

**Special Districts
Other General Issues
Uniform Building Code Standards
Liquor Law Enforcement
Justice Court
Impact Fees
Asset Forfeiture**

The management of Springville City is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, Springville City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.


Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

September 28, 2005

**Honorable Mayor
Members of the City Council
Springville City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information which collectively comprise the basic financial statements of Springville City, Utah, as of and for the year ended June 30, 2005, and have issued my report thereon dated September 28, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Springville City, Utah's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springville City, Utah's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, the City's management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.


Greg Ogden
Certified Public Accountant

SPRINGVILLE CITY, UTAH

MANAGEMENT LETTER
JUNE 30, 2005

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

September 28, 2005

**Honorable Mayor
Members of the City Council
Springville City, UT**

Council Members:

The primary purpose of my audit of the basic financial statements of Springville City, Utah for the year ended June 30, 2005, was to enable me to form an opinion as to the financial position of the City at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the City's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.


In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2005. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the City's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of Springville City. However, this report is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.


**Greg Ogden,
Certified Public Accountant**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE REQUIREMENTS FINDINGS

FINDING - EXPENDITURES IN EXCESS OF BUDGET

For the year ended June 30, 2005, expenditures exceeded the budget in one department. The budget is the City's legal spending limit.

RECOMMENDATION

I recommend that you continue to review the budget periodically during the year. If the budget requires amendment, I recommend adoption of an amended budget. Also, all amendments increasing the budget should be presented to the public in a public hearing.

RESPONSE - SPRINGVILLE CITY

We will continue to closely monitor our budget. We will amend it as necessary to comply with state law.

FINDING - INADEQUATE TREASURER'S BOND

The State requires a governmental entity's treasurer to be bonded for a minimum amount which is based on the government's budgeted revenues. Springville City's budgeted annual revenues for 2005 were approximately \$46,681,413. This level of revenues would require the City's treasurer to be bonded for about \$1,400,000. The treasurer was bonded for \$1,300,000.

RECOMMENDATION

I recommend that you increase bonding coverage for the treasurer. It may be best to raise the coverage higher than \$1,400,000 in anticipation of future increases in gross revenues.

RESPONSE - SPRINGVILLE CITY

The Treasurer will be bonded for the additional amount.

INTERNAL CONTROL SUGGESTIONS

SUGGESTION - INTERFUND TRANSFERS AND ADMINISTRATIVE FEES

The City currently charges each of the enterprise funds an annual administrative fee for the portion of the general fund budget attributable to providing administrative services. Additionally, the City budgets for operating transfers from the enterprise funds to the general fund.

RECOMMENDATION

The administrative fees should be based on a reasonable cost of providing the services. The basis for the fees should be updated regularly. Also, the excess general fund balance could be reduced by eliminating or reducing the operating transfers from the enterprise funds for several years.

RESPONSE - SPRINGVILLE CITY

The administrative fees and transfers are currently being evaluated. Fees charged for administrative costs will be based on reasonable estimates and updated regularly.